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WHA KREAD, MCC, USAID, TREASURY

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TAGS: [ECON](#) [PGOV](#) [ECPS](#) [PREL](#) [PA](#)
SUBJECT: A POSITIVE STEP AGAINST CORRUPTION-TRAVEL VOUCHER
FRAUD

Classified By: DCM Michael J. Fitzpatrick; reasons 1.4 (b) and (d).

11. (SBU) SUMMARY: A process that began in July ended December 6 with the indictment of 37 officials from the Customs Investigative Unit for falsifying travel vouchers. The Internal Investigative Unit's Coordinator in the Ministry of Finance, Patricia Marchewka, initiated the investigation in July; National Director of Customs Margarita Diaz de Vivar requested a formal investigation in August; and, the investigation findings report was completed in November 2007. Per the instruction of Minister of Finance Barreto, the findings were officially submitted to the Attorney General's office and, Prosecutor Fernandez indicted 37 officials December 6. Though the amounts involved in the voucher fraud are relatively small (27,234 USD), this case is emblematic of a positive first step in the long and challenging path to transform a culture of corruption. END SUMMARY

12. (SBU) The U.S. Treasury's Resident Enforcement Advisor, Clyde Rhoades, first suspected malfeasance related to travel voucher submissions from officials in the Customs Investigative Unit. Rhoades communicated his suspicions early July 2007 to the Coordinator of the Internal Investigative Unit in the Ministry of Finance, Patricia Marchewka, and to the National Director of Customs, Margarita Diaz de Vivar. Marchewka and Diaz de Vivar lead government units supported by the Threshold Program from the Millennium Challenge Corporation and are part of the efforts to combat corruption. Even though Diaz de Vivar had not officially submitted a request for an investigation to the Ministry of Finance, Marchewka initiated a preliminary investigation. Diaz de Vivar formally requested an internal investigation in August 2007.

13. (SBU) Following the official request from Diaz de Vivar, Marchewka's work led to a thorough and expeditious investigation. The Ministry of Finance submitted a first report to Diaz de Vivar October 2007 alleging that 46 officials were involved in voucher fraud. The Ministry of Finance continued to investigate and in late November 2007 submitted a supplementary report to Diaz de Vivar with additional evidence to justify an indictment of 37 out of the 46 suspected officials.

14. (U) The investigation looked at suspicious vouchers submitted during a three month period from May to July. The findings revealed three types of fraudulent activity: i) lodging expenses in excess of actual costs; ii) expenses with false receipts and fictitious tax identification numbers; and iii) reimbursements for days in excess of actual days traveled. For example, claims for local trips to Ciudad del Este and Concepcion showed lodging expenses for 800,000 guaranies (170 USD) when the actual cost was 80,000 guaranies (17 USD) and, reimbursements for ten instead of two days

traveled. The total from fraudulent vouchers investigated is 128,800,000 guaranies (27,234 USD).

¶5. (U) Following due process, and with the investigation completed and the official report submitted, Diaz de Vivar internally assessed the evidence with her legal team before it was presented to the Attorney General,s office. The Ministry of Finance submitted the findings to the Attorney General,s office December 4.

¶6. (U) Immediately after submission, the Attorney General's office assigned the case to Prosecutor Rene Fernandez who indicted December 6 thirty seven officials for allegedly falsifying documentation to support travel expenses. The indicted officials are from customs (20), the armed forces (11) and the police (6). With the indictment, Prosecutor Fernandez has six months to charge or exonerate the accused officials. If no determination is reached during that time, the prosecution can ask for an extension.

¶7. (C) Minister of Finance Barreto played an instrumental role with his visible and strong support of Machewka's efforts and, his direct instructions to the Attorney General,s office to promptly make the indictments. In a meeting December 11, Minister Barreto told DCM he is very satisfied with Machewka's work. Minister Barreto said "I get numerous complaints from the individuals implicated in cases under investigation but my answer is always the same*she (Machewka) has my full support to conduct and complete the investigation.8

¶8. (SBU) COMMENT: Over a six-month period, from July to December 2007, the Government of Paraguay undertook a very professional and transparent effort to investigate travel voucher fraud that ended with the indictment of 37 officials. Though the amounts involved are relatively small (27,234

USD), the transparent and expeditious manner in which the process evolved, including the strong support of key government officials, demonstrates a first positive step in a long and challenging path to transform a culture of corruption. END COMMENT.

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